

# COVID-19 and Distress in the CMBS Markets

## Economic Forecasts, CRE Fundamentals, and Its Impact on Measures of Distress in CMBS Markets

# Agenda

1. Welcoming Remarks
2. Primer – COVID-19 and the Economic Outlook
3. Thinking Through Distress in Debt Markets
4. A Conversation with Jim Shevlin and Dan Warcholak of CWCcapital on the CMBS Markets

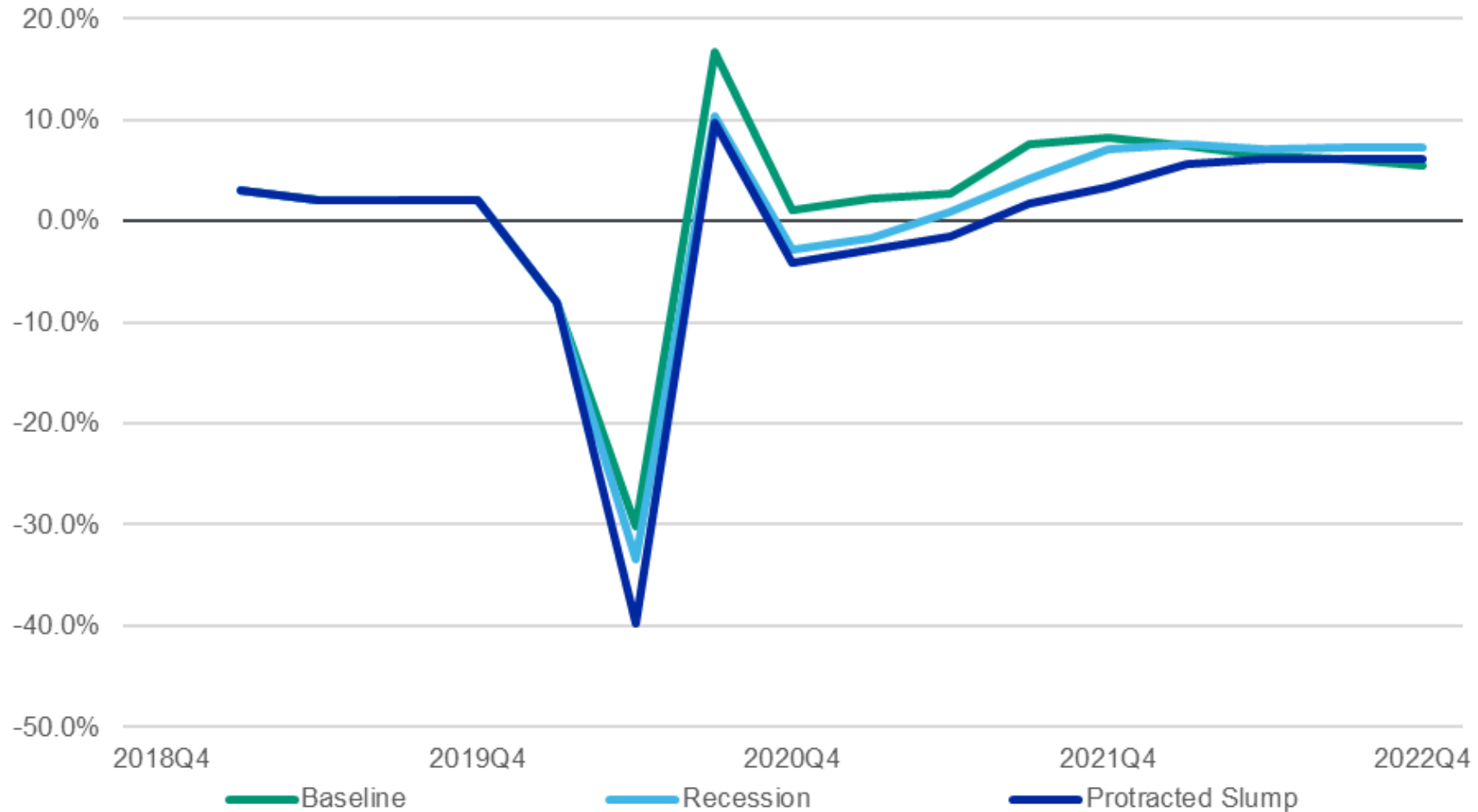
# 1

## COVID-19 and the Economic Outlook

Victor Calanog PhD, *Head of CRE Economics*  
**Moody's Analytics**

# What Does the Crystal Ball Say (Today?)

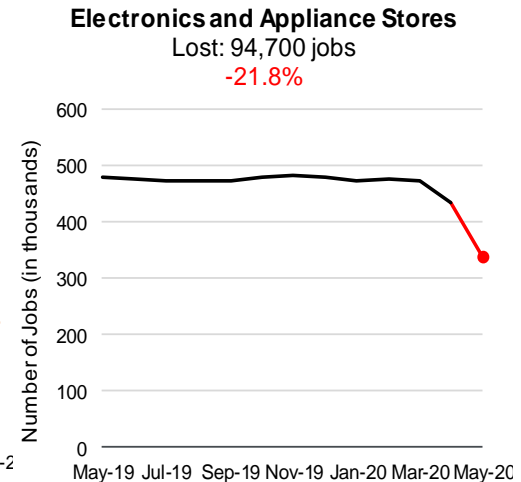
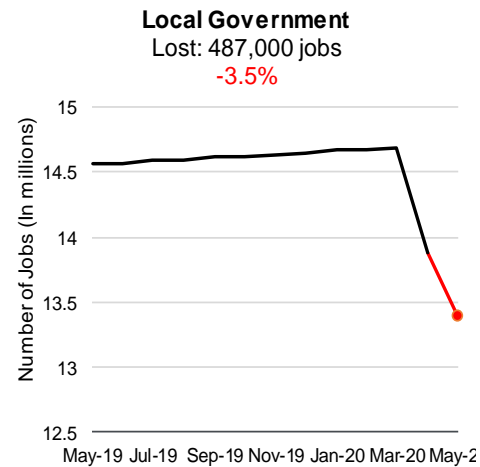
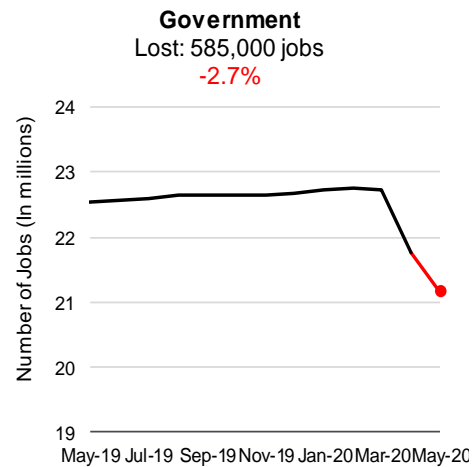
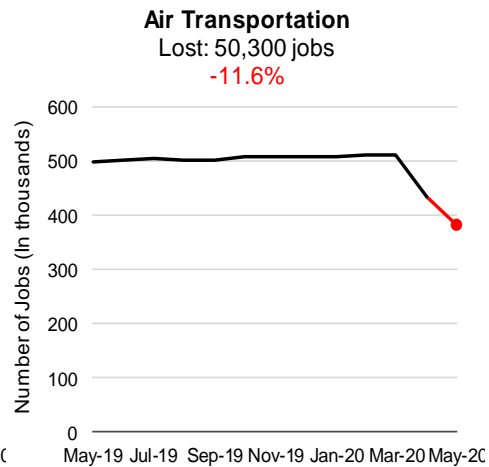
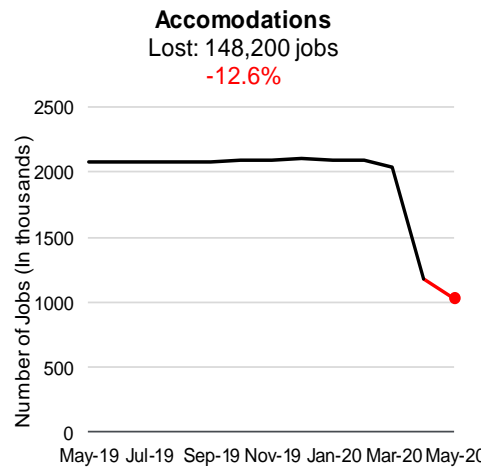
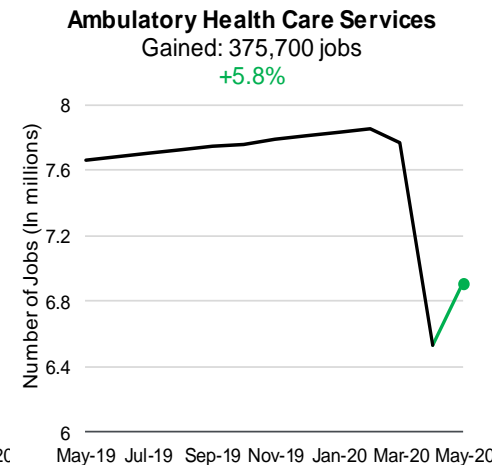
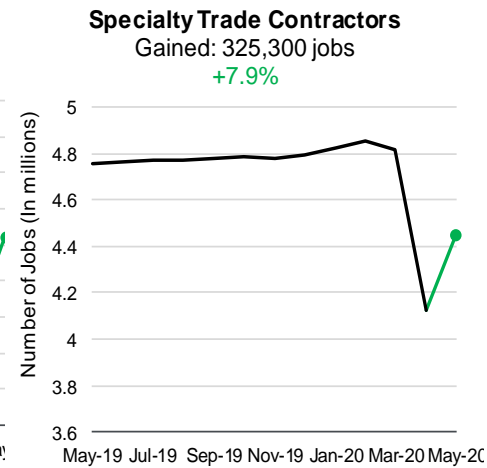
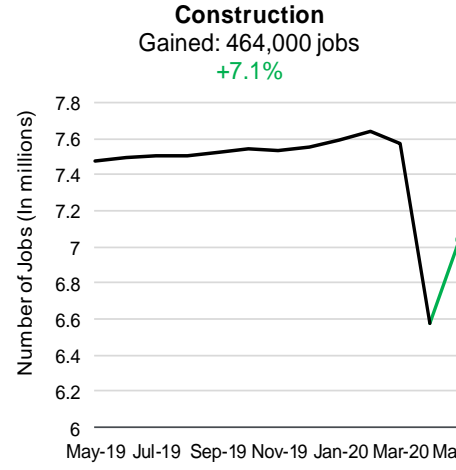
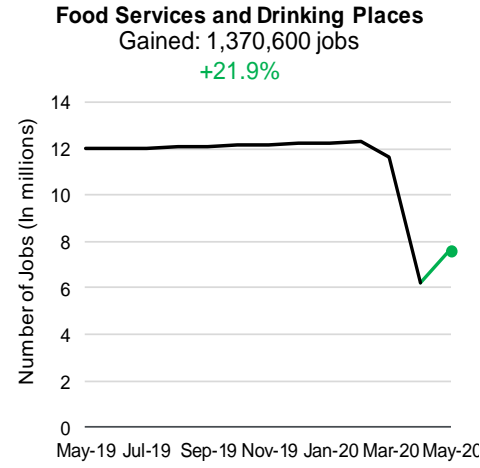
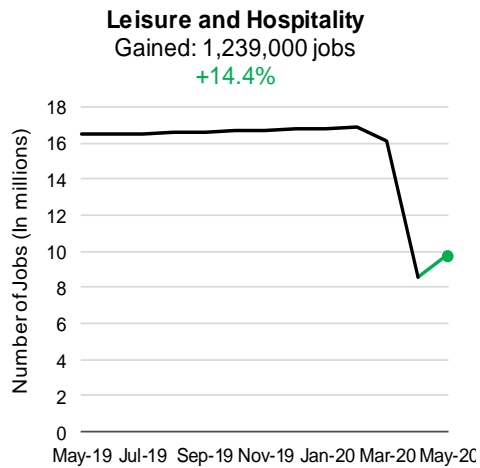
Real GDP, annualized quarter/quarter growth rate



Sources: BEA; Moody's Analytics

# Jobs Gained, Jobs Lost in May 2020

May 2019-May 2020 Job Trends in Line Graph; May 2020 Absolute and Percentage Changes in Captions.



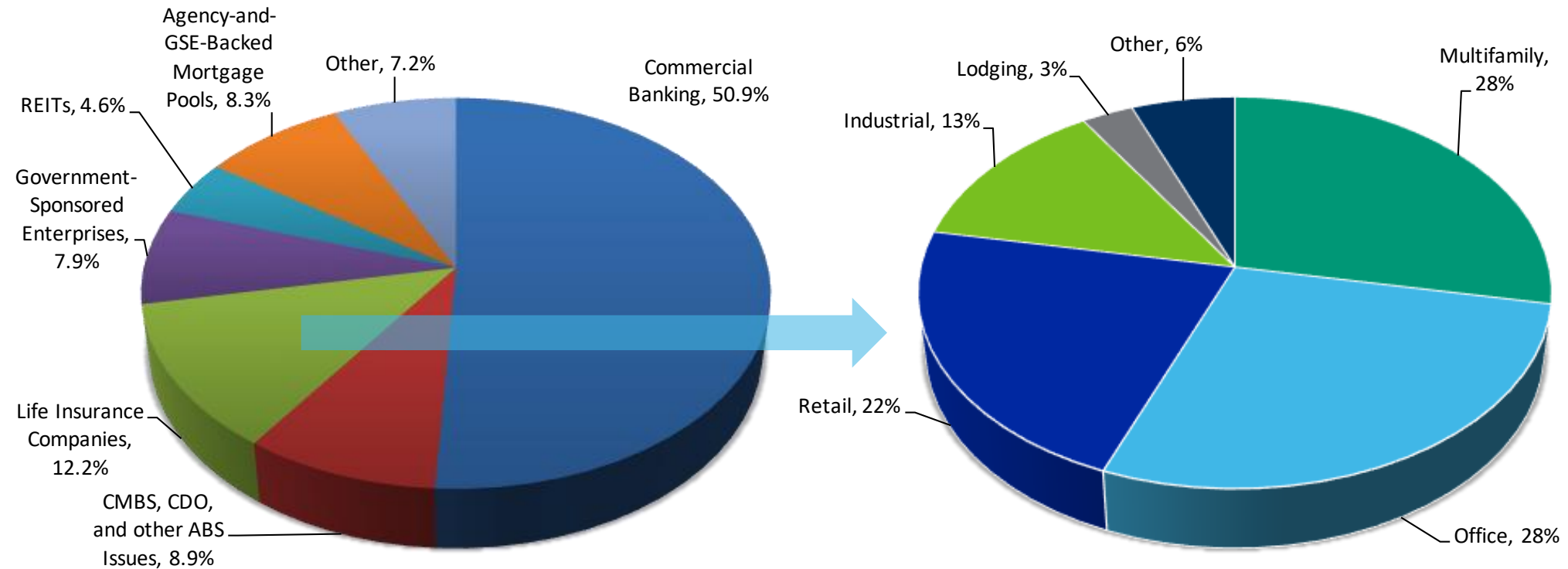
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## Thinking Through Distress in Debt Markets

# Stress Will Depend on Focus and Footprint

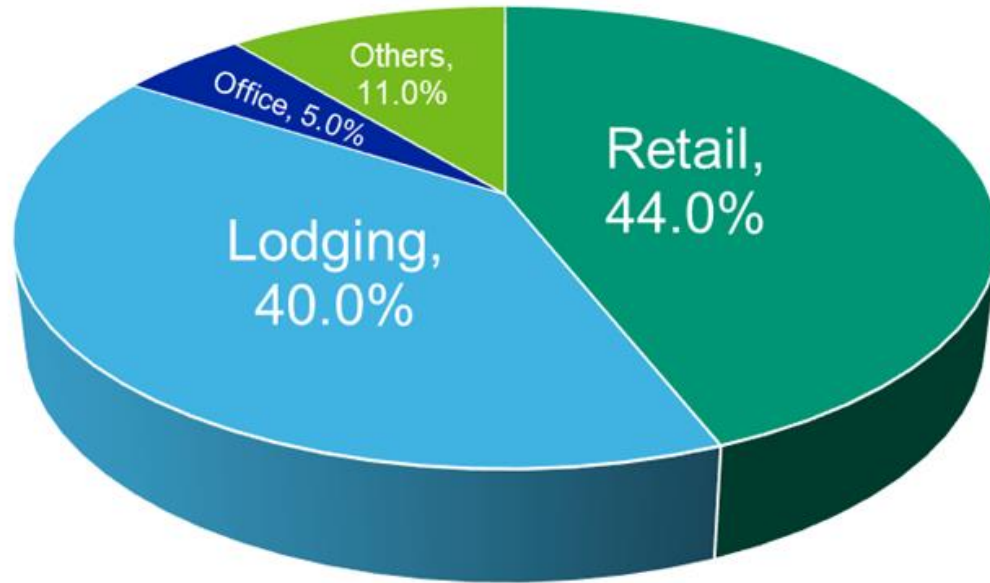
## Total MF/CRE Mortgage Debt Outstanding – and the Life Cos

Total and Multifamily Debt Outstanding: \$4.59 Trillion



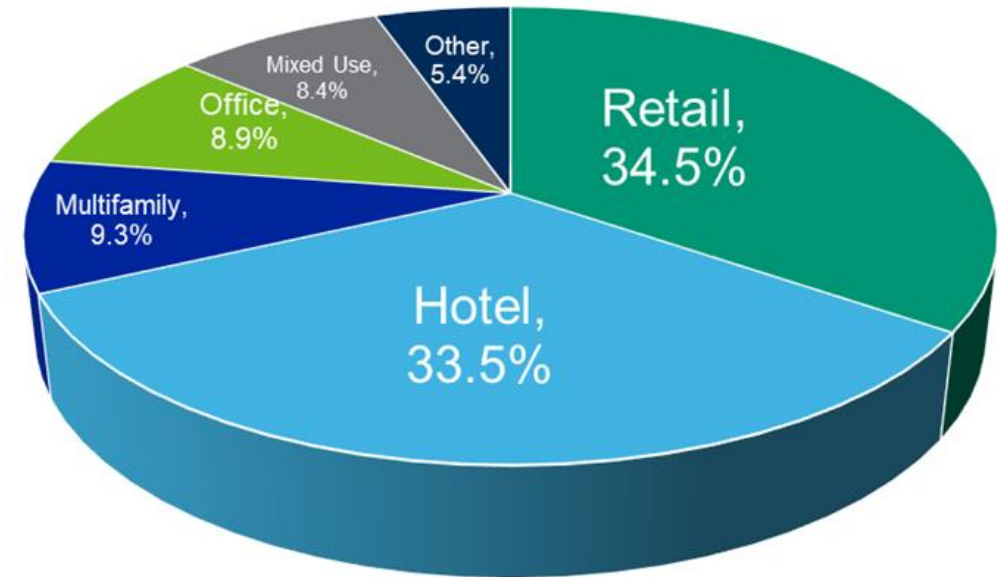
Source: Federal Reserve, latest data available as of February 2020. Data on the insurance sector from the Mortgage Bankers Association.

# Distress in the CMBS World



**Share of Relief Requests Received, by Property Type (CWC Capital, UPB \$8 billion)**

**Share of Loans Mentioning 'COVID-19' in Servicer Notes, by Property Type (UPB approximately \$41 billion)**



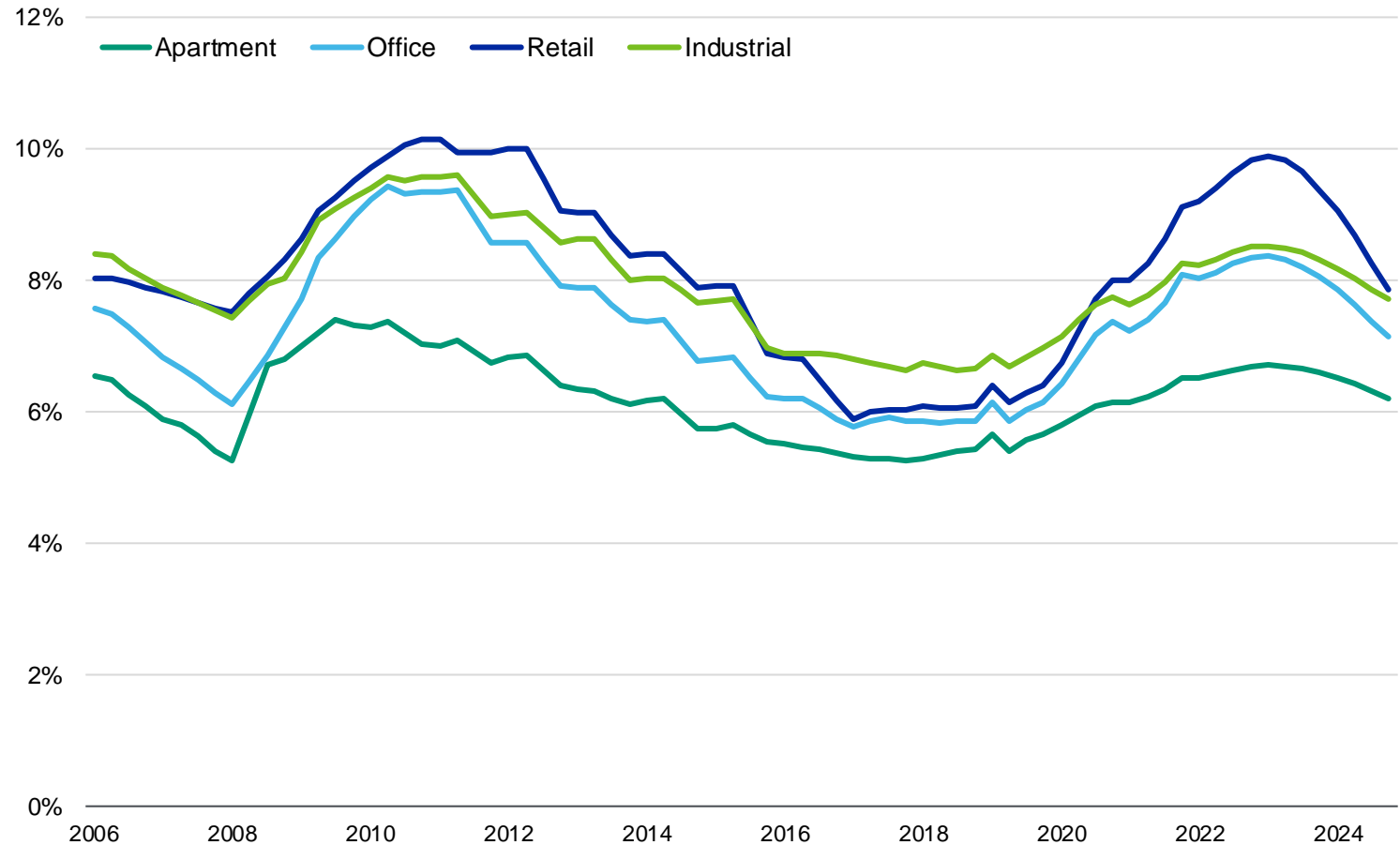
Source: CW Capital; Moody's Analytics Structured Finance Portal



# Cap Rate Forecasts

## Implied Value Declines for 2020

- » Given major economic distress, expect cap rates to rise over the course of the year.
- » Implied value declines will differ across property types: 7.8% for apartment, 10.2% for industrial, 16.8% for office, and 20% for retail.
- » Within property types, value declines will vary across geographic markets.



Source: Moody's Analytics REIS

# Applications: COVID-19 Impact Assessment Tool

<https://cre.reis.com/covid-19>

COVID-19 Outbreak: Impact on CRE

Sign-up for our COVID Impact Newsletter [Resources](#)

New York Metro, NY

NEW YORK METRO, NY

Office

NEW CONSTRUCTION IMPACT - OFFICE

Construction: **STOPPED** SQ FT at Risk: **34M**

Declared Non-Essential: 03/27/2020

View data set →

EMPLOYMENT IMPACT

Impact: **LOW**

MARKET INSIGHT

Bracing for COVID-19 Fallout Despite Recent Balanced Growth

PUBLISHED ON 4/19/2020

COVID-19 Impact on New Construction - Office

Metro	County	Construction Non-Essential?	Date Declared Non-Essential	Projects at Risk Under Construction	SF at Risk	Projects at Risk Planned	SF at Risk
New York Metro, NY	Kings County	Yes	03/27/2020	19	3,371,379	25	2,808,995

# 3

A Conversation Between Moody's  
Analytics and CWCcapital

# Questions & Answers

Thank You

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